

Message Text

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ACTION ARA-20

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TO SECSTATE WASHDC 5200

C O N F I D E N T I A L CARACAS 7562

E.O. 11652: GDS

TAGS: EMIN, VE

SUBJECT: CONVERSATIONS BETWEEN ORINOCO MINING COMPANY AND
VENEZUELAN NEGOTIATING TEAM

1. STANLEY COHLMAYER, PRESIDENT OF ORINOCO MINING, TOLD ME LAST NIGHT THAT HE IS CONSIDERABLY ENCOURAGED AT PROGRESS OF TALKS BETWEEN HIMSELF AND RAYMOND RYAN OF US STEEL AND MINISTER OF STATE PEREZ GUARRERO AND ARGENIS GAMBOA, PRESIDENT OF CORPORACOVION VENEZLOANA DE GUAYANA.

2. YESTERDAY AFTERNOON THERE WAS A TWO HOUR SESSION DURING WHICH US STEEL REPRESENTATIVES MADE SEVERAL OFFERS WHICH THE VENEZUELAN SIDE APPARENTLY TOOK WITH EQUANIMITY ALTHOUGH THEY MADE NO COMMITMENTS. US STEEL PROPOSED THAT IN RETURN FOR ITS TECHNICAL SERVICES ORINOCO MINING BE REIMBURSED IN KIND, TAKING A STIPULATED AMOUNT OF IRON ORE AS PAYMENT. SIMILARLY, IN FUTURE IF US STEEL SHOULD BE RETAINED TO ASSIST VENEZUELA IN TECHNOLOGICAL TRANSFER OR THE CONSTRUCTION OF MUCH EXPANDED STEEL PLANT, THE COMPANY WOULD BE REIMBURSED IN ORE AND NOT IN CASH. THE ONLY OTHER REQUEST US STEEL MADE WAS THAT PRICE OF VENEZUELAN ORE SENT TO THE UNITED STATES BE REDUCED \$4.00 A TON TO PUT IN AT A COMPETITIVE LEVEL WITH OTHER IRON ORE REACHING US STEEL MILLS.

3. COHLMAYER SAID HE DID NOT KNOW WHEN THE VENEZUELAN AUTHORITIES WOULD GIVE HIM THEIR ANSWER, BUT THE FACT THAT THEY ACCEPTED THESE
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SUGGESTION FOR STUDY HE THOUGHT WAS A GOOD SIGN. HE BELIEVES

THAT PRESIDENT CARLOS ANDRES PEREZ IS AIMING AT THE DATE OF
DECEMBER 9-- THE ANNIVERSARY OF THE BATTLE OF AYACUCHO -- AS THE
TIME WHEN HE WOULD MAKE A TRIUMPHANT STATEMENT OF HAVING
SETTLED THE NATIONALIZATION OF IRON.
MCCLINTOCK

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